



Human Resources Division
P.O. Box 942718
Sacramento, CA 94229-2718
Telecommunications Device for the Deaf - (916) 795-3459
(916) 795-3068; FAX - (916) 795-4001

December 9, 2005

AGENDA ITEM 7

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

I. SUBJECT: Selection of the RFP Finalists for Executive Compensation Consultant

II. PROGRAM: Administration

III. RECOMMENDATION: Recommend that:

1) The Board Approve Three Firms as Finalists for the Board's Executive Compensation Consultant Contract Award

2) All Finalists be Interviewed

3) The Board Conduct the Interviews

IV. ANALYSIS:

In March 2005, the Board approved the issuance of a Request for Proposal (RFP) for an Executive Compensation Consultant. The RFP process was delegated to staff with direction that the Board, upon recommendation of the Performance and Compensation Committee, would determine the number of finalists and select the finalists for interviews. Interviews of the finalist firms were to be performed either at the Committee or Board level, at the Board's discretion, upon recommendation by the Committee.

The RFP was issued in September with responses due on November 8, 2005. An evaluation panel which included Priya Mathur, Committee Chair, conducted an evaluation of the three proposals submitted and created a ranked list. It is staff's recommendation that the Board approve all three firms as finalists and that all finalists be interviewed by the Board.

The next regular Biennial Salary Survey is scheduled for completion in March or April of 2006. Furthermore, the Board has expressed the desire to have their Executive Compensation Consultant available to provide advice on compensation issues related to the recruitment for a new Chief Investment Officer, which will be commencing very shortly. Therefore, staff highly recommends that the Board conduct interviews of the finalist Executive Compensation Consultant firms at its meeting on December 14, 2005, in order to meet the abbreviated timeframe.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key management personnel.

VI. RESULTS/COSTS:

The management of a competitive compensation program is critical for the attraction and retention of key executives at the highest levels of the organization. This in turn is essential to the success of the organization. Contracting for executive compensation consultation services provides the necessary expertise to the Committee and the Board to ensure that CalPERS executive compensation program meets the needs of the system, and is based on sound compensation principles and best practices.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer, Operations